

**CLARINDA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Combining Statement of Net Assets	G 21
Combining Statement of Revenues, Expenses and Changes in Net Assets	H 22
Combining Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 24
Statement of Changes in Fiduciary Net Assets	K 25
Notes to Financial Statements	26-33
Required Supplemental Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	34
Notes to Required Supplementary Information - Budgetary Reporting	35
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 38-39
Combining Statement of Net Assets, Fiduciary Funds, Private Purpose Trust Funds	4 40-41
Combining Statement of Changes in Fiduciary Net Assets, Private Purpose Trusts	5 42-43
Combining Statement of Net Assets, Fiduciary Funds, Agency Funds	6 44
Statement of Changes in Assets and Liabilities	7 45
Comparison of Taxes and Intergovernmental Revenue	8 46
Schedule of Expenditures of Federal Awards	9 47
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	48-49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance	50-51
Schedule of Findings and Questioned Costs	52-54

CLARINDA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

BOARD OF EDUCATION

(Before September, 2003 Election)

Larry Scherf	President	2005
Dale Fulk	Vice President	2003
Joe Tunnickliff		2003
Seth Watkins		2005
Scott McComb		2004

(After September, 2003 Election)

Dale Fulk	President	2006
Scott McComb	Vice President	2004
Seth Watkins		2005
Larry Scherf		2005
Dian Grimes-Hughes		2006

SCHOOL OFFICIALS

Paul Honnold	Superintendent
Cindy Van Fossen	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of the
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clarinda Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clarinda Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the general purpose financial statements, Clarinda Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.

In accordance with Government Auditing Standards, we have also issued our reports dated August 31, 2004 on our consideration of Clarinda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 31, 2004

CLARINDA COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Clarinda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,450,460 in fiscal 2003 to \$7,543,564 in fiscal 2004, while General Fund expenditures increased from \$7,407,168 in fiscal year 2003 to \$7,594,445 in fiscal 2004.
- The increase in General Fund revenues was primarily attributable to an increase in miscellaneous revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The decreased in the undesignated unreserved General Fund balance is primarily attributable to the across the board cuts in state funding.
- The District continued its 28E sharing agreement with New Market Community School District. New Market tuitions its students in grades 9-12 to Clarinda.
- The School Infrastructure Local Option Sales Tax continues to be collected. It currently is being used for the retirement of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services and community education.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Clarinda Community School District

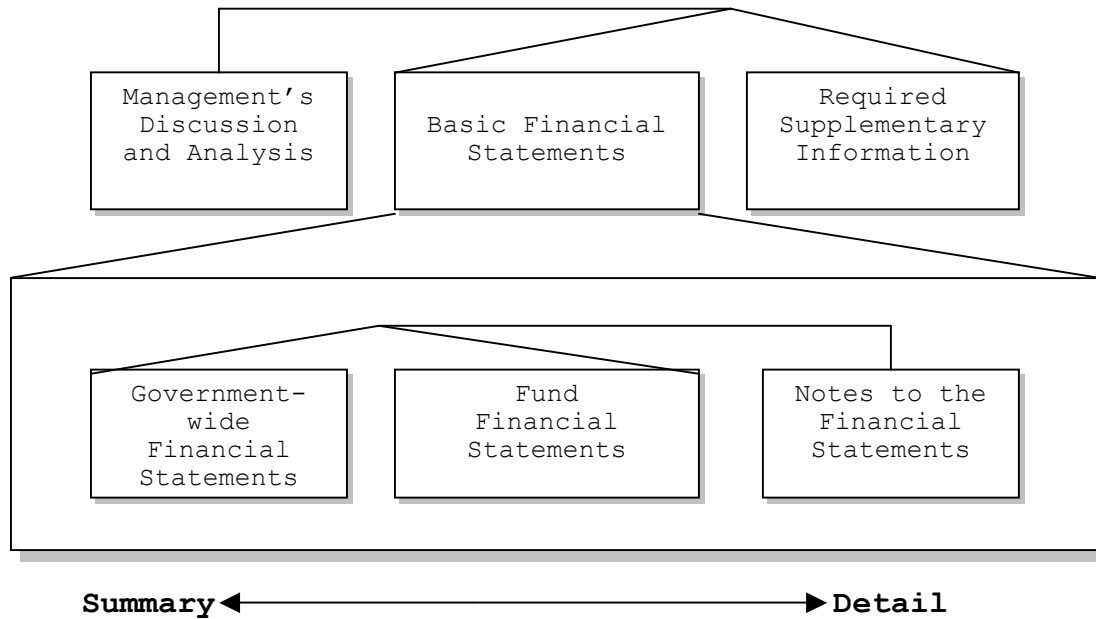


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and community education programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Community Education Fund.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

Private-Purpose Trust Funds - These are funds donated to the District to be used for specific purposes, such as scholarships.

Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to 2003.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-04
	\$	\$	\$	\$	\$	\$	
Current assets	6,391	5,690	130	96	6,521	5,786	12.70%
Capital assets	8,780	9,048	47	55	8,827	9,103	-3.03%
Total assets	15,171	14,738	177	151	15,348	14,889	3.08%
Current liabilities	3,616	2,883	20	23	3,636	2,906	25.12%
Non-current liabilities	4,755	5,435	-	-	4,755	5,435	-12.51%
Total liabilities	8,371	8,318	20	23	8,391	8,341	0.60%
Net Assets							
Invested in capital assets, net of related debt	3,675	3,613	47	55	3,722	3,668	1.47%
Restricted	1,737	1,390	-	-	1,737	1,390	24.96%
Unrestricted	1,388	1,417	110	73	1,498	1,490	0.54%
Total net assets	6,800	6,420	157	128	6,957	6,548	6.25%

The District's combined net assets were greater at June 30, 2004 than June 30, 2003. The increase occurred primarily as a result of saving sales tax revenues for future uses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	1,075	215	1,290
Operating grants, contributions and restricted interest	1,370	197	1,567
General revenues:			
Property tax	2,679	-	2,679
Income surtax	121	-	121
Local option sales tax	470	-	470
Unrestricted state grants	3,069	-	3,069
Unrestricted investment earnings	19	-	19
Other	58	-	58
Total revenues	<u>8,861</u>	<u>412</u>	<u>9,273</u>
Program expenses:			
Governmental activities:			
Instruction	5,316	-	5,316
Support Services	2,290	-	2,290
Non-instructional programs	-	384	384
Other expenses	852	-	852
Total expenses	<u>8,458</u>	<u>384</u>	<u>8,842</u>
Change in net assets	<u>403</u>	<u>28</u>	<u>431</u>

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$8,861,320 and expenses were \$8,521,469. In a difficult budget year the District was forced to tap into reserves to offset spending cuts done in mid year.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	5,316	3,205
Support Services	2,290	2,231
Other expenditures	<u>852</u>	<u>576</u>
Totals	<u>8,458</u>	<u>6,012</u>

- The cost financed by users of the District's programs was \$1,074,877.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,120,119.
- The net cost of governmental activities was financed with \$2,678,375 in property tax, \$3,068,757 in state foundation aid, and \$19,077 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$412,421 and expenses were \$384,070. The District's business-type activities include the School Nutrition and Cardinals Kids Zone Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted the Clarinda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,800,289, six percent above last year's ending fund balances of \$6,397,170.

This was primary due to an increase in the capital projects fund of over \$340,000.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items, however, a mid-year 2.5% state aid cut prevented an increase in General Fund Balance.
- The maintaining of funds was made even more difficult with the state cutting the amount of Phase III money received by the District, and completely eliminating the technology money.

Proprietary Fund Highlights

The Nutrition Fund increased due to increased revenues, while holding salary costs steady. The District has attempted to maintain prices at a reasonable level.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$460,000 more than the total budgeted receipts. The most significant change resulted in the District receiving more in tuition and miscellaneous revenues than originally anticipated. This offset the decrease in state funding.

Total expenditures were over \$1 million less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District did exceed the amounts budgeted in two functional areas, however, did not exceed the total amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District has invested more than \$12,900,000 in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$410,000.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Land	116	116	-	-	116	116	0.00%
Land improvements	749	704	-	-	749	704	6.39%
Buildings	7,561	7,332	-	-	7,561	7,332	3.12%
Furniture and equipment	622	628	47	55	669	683	-2.05%
Totals	9,048	8,780	47	55	9,095	8,835	2.94%

Long - Term Debt

The \$2.2 million dollar bond issue will mature June, 2010. The District's energy notes will mature in 2007.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment increased slightly from fiscal year 2003. Future enrollment trends are uncertain.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District maintains an agreement with Clarinda Youth Academy to administer some of their educational programs. Continuation of this agreement will continue to assist the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Honnold, Superintendent, Clarinda Community School District, 423 E Nodaway, Clarinda, IA 51632.

Basic Financial Statements

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	3,145,701	115,009	3,260,710
Receivables:			
Property tax:			
Current year	45,096	-	45,096
Succeeding year	2,608,717	-	2,608,717
Income surtax	118,000	-	118,000
Due from other governments	198,081	-	198,081
Other receivables	275,714	-	275,714
Inventories	-	14,987	14,987
Capital assets, net of accumulated depreciation (note 3)	8,779,959	46,974	8,826,933
Total assets	<u>15,171,268</u>	<u>176,970</u>	<u>15,348,238</u>
Liabilities			
Accounts payable	465,008	-	465,008
Accrued salary and benefits	51,880	19,840	71,720
Accrued interest payable	22,374	-	22,374
Deferred revenue:			
Succeeding year property tax	2,608,717	-	2,608,717
Income surtax	118,000	-	118,000
Long term liabilities:			
Portion due within one year:			
General obligation bonds (note 4)	255,000	-	255,000
Revenue bonds (note 9)	95,000	-	95,000
Portion due after one year:			
General obligation bonds (note 4)	3,940,000	-	3,940,000
Revenue bonds (note 9)	815,000	-	815,000
Total liabilities	<u>8,370,979</u>	<u>19,840</u>	<u>8,390,819</u>
Net assets			
Invested in capital assets, net of related debt	3,674,959	46,974	3,721,933
Restricted for:			
Management fund	205,469	-	205,469
Debt service	48,696	-	48,696
Physical plant and equipment levy	553,664	-	553,664
Capital projects	929,452	-	929,452
Unrestricted	1,388,049	110,156	1,498,205
Total net assets	<u>6,800,289</u>	<u>157,130</u>	<u>6,957,419</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	3,196,694	404,778	304,085	(2,487,831)	-	(2,487,831)
Special instruction	1,416,074	669,789	486,079	(260,206)	-	(260,206)
Other instruction	703,274	-	245,912	(457,362)	-	(457,362)
	<u>5,316,042</u>	<u>1,074,567</u>	<u>1,036,076</u>	<u>(3,205,399)</u>	<u>-</u>	<u>(3,205,399)</u>
Support services:						
Student services	312,853	-	5,662	(307,191)	-	(307,191)
Instructional staff services	125,829	-	-	(125,829)	-	(125,829)
Administration services	710,941	-	-	(710,941)	-	(710,941)
Operation and maintenance of plant services	771,170	-	29,828	(741,342)	-	(741,342)
Transportation services	369,427	310	22,973	(346,144)	-	(346,144)
	<u>2,290,220</u>	<u>310</u>	<u>58,463</u>	<u>(2,231,447)</u>	<u>-</u>	<u>(2,231,447)</u>
Other expenditures:						
Interest on long-term debt	282,802	-	6,376	(276,426)	-	(276,426)
Long-term debt services	345	-	-	(345)	-	(345)
AEA flowthrough	269,509	-	269,509	-	-	-
Depreciation (unallocated) *	299,283	-	-	(299,283)	-	(299,283)
	<u>851,939</u>	<u>-</u>	<u>275,885</u>	<u>(576,054)</u>	<u>-</u>	<u>(576,054)</u>
Total governmental activities	8,458,201	1,074,877	1,370,424	(6,012,900)	-	(6,012,900)

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues				
			Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Expenses	Charges for Service				Total
\$	\$	\$	\$	\$	\$
Business-Type activities:					
Non-instructional programs:					
Food service operations	381,089	212,394	196,007	-	27,312
Community service and education	2,981	2,981	1,039	-	1,039
	384,070	215,375	197,046	-	28,351
Total	8,842,271	1,290,252	1,567,470	(6,012,900)	28,351
					(5,984,549)
General revenues:					
Property tax levied for:					
General purposes				2,091,916	-
Management fund				49,849	-
Capital outlay				58,068	-
Debt service				478,542	-
Income surtax				121,350	-
Local option sales tax				470,369	-
Unrestricted state grants				3,068,757	-
Unrestricted investment earnings				19,077	-
Other				58,091	-
Total general revenue				6,416,019	-
Change in net assets				403,119	28,351
Net assets beginning of year, as restated (note 10)				6,397,170	128,779
Net assets end of year				6,800,289	157,130

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,357,900	40,639	906,442	840,720	3,145,701
Receivables:					
Property tax:					
Current year	35,124	8,035	-	1,937	45,096
Succeeding year	1,997,482	483,348	-	127,887	2,608,717
Income surtax	118,000	-	-	-	118,000
Due from other governments	175,228	-	22,853	-	198,081
Other receivables	214,517	22	157	61,018	275,714
Total assets	<u>3,898,251</u>	<u>532,044</u>	<u>929,452</u>	<u>1,031,562</u>	<u>6,391,309</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	453,931	-	-	11,077	465,008
Accrued salary and benefits	51,880	-	-	-	51,880
Deferred revenue:					
Succeeding year property tax	1,997,482	483,348	-	127,887	2,608,717
Income surtax	118,000	-	-	-	118,000
Total liabilities	<u>2,621,293</u>	<u>483,348</u>	<u>-</u>	<u>138,964</u>	<u>3,243,605</u>
Fund balances:					
Reserved for debt services	-	48,696	-	-	48,696
Reserved for capital projects	-	-	929,452	-	929,452
Unreserved, undesignated	<u>1,276,958</u>	<u>-</u>	<u>-</u>	<u>892,598</u>	<u>2,169,556</u>
Total fund balances	<u>1,276,958</u>	<u>48,696</u>	<u>929,452</u>	<u>892,598</u>	<u>3,147,704</u>
Total liabilities and fund balances	<u>3,898,251</u>	<u>532,044</u>	<u>929,452</u>	<u>1,031,562</u>	<u>6,391,309</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)		\$ 3,147,704
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,779,959
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.		(22,374)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds payable	\$ (4,195,000)	
Revenue bonds payable	<u>(910,000)</u>	<u>(5,105,000)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 6,800,289</u></u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,213,266	478,542	470,369	107,917	3,270,094
Tuition	977,902	-	-	-	977,902
Other	189,244	974	5,155	229,075	424,448
State sources	3,752,207	5,402	-	1,218	3,758,827
Federal sources	410,945	-	-	19,104	430,049
Total revenues	<u>7,543,564</u>	<u>484,918</u>	<u>475,524</u>	<u>357,314</u>	<u>8,861,320</u>
Expenditures:					
Instruction:					
Regular instruction	3,340,367	-	-	-	3,340,367
Special instruction	1,416,074	-	-	-	1,416,074
Other instruction	485,495	-	-	217,779	703,274
	<u>5,241,936</u>	<u>-</u>	<u>-</u>	<u>217,779</u>	<u>5,459,715</u>
Support services:					
Student services	312,853	-	-	-	312,853
Instructional staff services	87,168	-	-	38,661	125,829
Administration services	707,804	-	-	3,137	710,941
Operation and maintenance of plant services	730,721	-	-	40,449	771,170
Transportation services	244,454	-	-	12,550	257,004
	<u>2,083,000</u>	<u>-</u>	<u>-</u>	<u>94,797</u>	<u>2,177,797</u>
Other expenditures:					
Long-term debt:					
Principal	-	330,000	-	-	330,000
Interest	-	284,103	-	-	284,103
Services	-	345	-	-	345
AEA flowthrough	269,509	-	-	-	269,509
	<u>269,509</u>	<u>614,448</u>	<u>-</u>	<u>-</u>	<u>883,957</u>
Total expenditures	<u>7,594,445</u>	<u>614,448</u>	<u>-</u>	<u>312,576</u>	<u>8,521,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,881)</u>	<u>(129,530)</u>	<u>475,524</u>	<u>44,738</u>	<u>339,851</u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	134,415	-	-	134,415
Operating transfers out	-	-	(134,415)	-	(134,415)
	-	134,415	(134,415)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(50,881)	4,885	341,109	44,738	339,851
Fund balances beginning of year, as restated (note 10)	1,327,839	43,811	588,343	847,860	2,807,853
Fund balances end of year	1,276,958	48,696	929,452	892,598	3,147,704

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (Exhibit E) \$ 339,851

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 143,673	
Depreciation expense	<u>(411,706)</u>	(268,033)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,301

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

330,000

Change in net assets of governmental activities (Exhibit B) \$ 403,119

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets

Proprietary Funds

June 30, 2004

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	
Assets			
Cash and pooled investments	99,033	15,976	115,009
Inventories	14,987	-	14,987
Capital assets, net of accumulated depreciation	46,974	-	46,974
Total assets	<u>160,994</u>	<u>15,976</u>	<u>176,970</u>
Liabilities			
Accrued salary and benefits	19,840	-	19,840
Net assets			
Invested in capital assets, net of related debt	46,974	-	46,974
Unrestricted	94,180	15,976	110,156
Total net assets	<u>141,154</u>	<u>15,976</u>	<u>157,130</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year ended June 30, 2004

	School Nutrition	Cardinals Kids Zone	Total
	\$		
Operating revenue:			
Local sources:			
Charges for services	212,394	2,981	215,375
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	117,633	-	117,633
Benefits	50,368	-	50,368
Services	1,577	-	1,577
Supplies	202,024	-	202,024
Property	303	-	303
Other	618	-	618
Depreciation	8,566	-	8,566
	381,089	-	381,089
Other enterprise operations:			
Services	-	717	717
Supplies	-	2,264	2,264
	-	2,981	2,981
Total operating expenses	381,089	2,981	384,070
Operating (loss)	(168,695)	-	(168,695)
Non-operating revenues:			
Interest on investments	258	-	258
Contributions	-	1,039	1,039
Loss on disposal of capital assets	(566)	-	(566)
State sources	6,188	-	6,188
Federal sources	190,127	-	190,127
	196,007	1,039	197,046
Net profit	27,312	1,039	28,351
Net assets beginning of year	113,842	14,937	128,779
Net assets end of year	141,154	15,976	157,130

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2004

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	212,394	2,981	215,375
Cash payments to employees for services	(169,932)	-	(169,932)
Cash payments to suppliers for goods or services	(177,824)	(2,981)	(180,805)
Net cash provided by (used in) operating activities	(135,362)	-	(135,362)
Cash flows from non-capital financing activities:			
State grants received	6,188	-	6,188
Federal grants received	167,358	-	167,358
Contributions	-	1,039	1,039
Net cash provided by non-capital financing activities	173,546	1,039	174,585
Cash flows from capital financing activities:			
Acquisition of fixed assets	(900)	-	(900)
Cash flows from investing activities:			
Interest on investments	258	-	258
Net increase in cash and cash equivalents	37,542	1,039	38,581
Cash and cash equivalents beginning of year	61,491	14,937	76,428
Cash and cash equivalents end of year	99,033	15,976	115,009
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(168,695)	-	(168,695)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	8,566	-	8,566
Commodities used	22,769	-	22,769
Decrease in inventory	4,733	-	4,733
(Decrease) in accounts payable	(804)	-	(804)
(Decrease) in accrued payroll and benefits	(1,931)	-	(1,931)
	(135,362)	-	(135,362)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	99,033	15,976	115,009

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received federal commodities valued at \$22,769.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private Purpose Trusts	Agency
	\$	\$
Assets		
Cash and pooled investments	4,998	17,366
Liabilities		
Other payables	-	17,366
Net Assets		
Reserved for special purposes	4,998	-

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2004

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Interest on investments	17
Contributions	<u>4,444</u>
Total additions	<u>4,461</u>
Deductions:	
Support services:	
Other	<u>4,300</u>
Total deductions	<u>4,300</u>
Change in net assets	161
Net assets beginning of year	<u>4,388</u>
Net assets end of year	<u><u>4,549</u></u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Clarinda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clarinda, Iowa, and agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. For financial reporting purposes, Clarinda Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Clarinda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management that can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other Non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition and Community Education Funds. These funds are used to account for the food service and community wide education operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District participates in the Iowa Schools Joint Investment Trust is valued at an amortized cost of \$1,843,505 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (note 11)	Increases	Decreases	Balance End of Year
Governmental activities:	\$	\$	\$	\$
Capital assets not being depreciated:				
Land	<u>115,863</u>	<u>-</u>	<u>-</u>	<u>115,863</u>
Capital assets being depreciated:				
Land Improvements	889,887	-	-	889,887
Buildings	10,955,006	-	-	10,955,006
Furniture and Equipment	<u>920,218</u>	<u>143,673</u>	<u>-</u>	<u>1,063,891</u>
Total capital assets being depreciated	<u>12,765,111</u>	<u>143,673</u>	<u>-</u>	<u>12,908,784</u>
Less accumulated depreciation for:				
Land Improvements	141,426	44,493	-	185,919
Buildings	3,393,664	229,090	-	3,622,754
Furniture and Equipment	<u>297,892</u>	<u>138,123</u>	<u>-</u>	<u>436,015</u>
Total accumulated depreciation	<u>3,832,982</u>	<u>411,706</u>	<u>-</u>	<u>4,244,688</u>
Total capital assets being depreciated, net	<u>8,932,129</u>	<u>(268,033)</u>	<u>-</u>	<u>8,664,096</u>
Governmental activities, capital assets, net	<u><u>9,047,992</u></u>	<u><u>(268,033)</u></u>	<u><u>-</u></u>	<u><u>8,779,959</u></u>

	Balance Beginning of Year, as restated (note 11)	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	102,604	900	5,943	97,561
Less accumulated depreciation	<u>47,398</u>	<u>8,566</u>	<u>5,377</u>	<u>50,587</u>
Business type activities capital assets, net	<u>55,206</u>	<u>(7,666)</u>	<u>566</u>	<u>46,974</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

112,423

299,283

411,706

Business Type activities:

Food service operations

8,566

(4) General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Interest	Principal	Total
2005	4.950%	\$ 228,347	255,000	483,347
2006	5.050	215,725	270,000	485,725
2007	5.100	202,090	285,000	487,090
2008	5.200	187,555	300,000	487,555
2009	5.300	171,955	315,000	486,955
2010	5.400	155,260	335,000	490,260
2011	5.500	137,170	350,000	487,170
2012	5.500	117,920	370,000	487,920
2013	5.550	97,385	395,000	492,385
2014	5.600	75,265	415,000	490,265
2015	5.700	51,818	440,000	491,818
2016	5.750	<u>26,737</u>	<u>465,000</u>	<u>491,737</u>
Total		<u>\$1,667,227</u>	<u>4,195,000</u>	<u>5,862,227</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Revenue Bonds	Total
Balance beginning of year	\$4,435,000	1,000,000	5,435,000
Additions	-	-	-
Reductions	<u>240,000</u>	<u>90,000</u>	<u>330,000</u>
Balance end of year	<u>\$4,195,000</u>	<u>910,000</u>	<u>5,105,000</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$243,963, \$243,746, and \$239,876 respectively, equal to the required contributions for each year.

(7) Risk Management

Clarinda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District pays the deductible on the employee health insurance. The District is self-insuring the costs of the increase in deductible. The maximum liability for the District in the coming year is estimated to be \$54,723.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$269,509 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Revenue Bonds Payable

Details of the District's June 30, 2004 School Infrastructure Sales and Services Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	4.40%	\$ 40,135	95,000	135,135
2006	4.40	35,845	100,000	135,845
2007	4.40	31,225	110,000	141,225
2008	4.70	26,103	115,000	141,103
2009	4.70	20,580	120,000	140,580
2010	4.80	14,640	130,000	144,640
2011	4.80	5,760	240,000	245,760
Total		<u>\$174,288</u>	<u>910,000</u>	<u>1,084,288</u>

(10) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenues	
Net assets, June 30, 2003, as previously reported	\$1,327,839	43,811	588,343	847,860	2,807,853
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$1,327,839</u>	<u>43,811</u>	<u>588,343</u>	<u>847,860</u>	2,807,853
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$3,832,982					9,047,992
Accrued interest payable					(23,675)
Long-Term Liabilities:					
General obligation bonds				(4,435,000)	
Revenue bonds				<u>(1,000,000)</u>	<u>(5,435,000)</u>
Net assets, July 1, 2003, as restated					<u>\$ 6,397,170</u>

Required Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	4,672,444	216,106	4,888,550	4,568,015	4,568,015	320,535
State sources	3,758,827	6,188	3,765,015	3,860,214	3,860,214	(95,199)
Federal sources	430,049	190,127	620,176	384,000	384,000	236,176
Total revenues	8,861,320	412,421	9,273,741	8,812,229	8,812,229	461,512
Expenditures						
Instruction	5,459,715	-	5,459,715	5,908,495	5,908,495	448,780
Support services	2,177,797	-	2,177,797	2,933,022	2,933,022	755,225
Non-instructional programs	-	384,070	384,070	267,718	267,718	(116,352)
Other expenditures	883,957	-	883,957	820,833	820,833	(63,124)
Total expenditures	8,521,469	384,070	8,905,539	9,930,068	9,930,068	1,024,529
Excess of revenues over expenditures	339,851	28,351	368,202	(1,117,839)	(1,117,839)	1,486,041
Other financing sources (uses)	-	-	-	(134,115)	(134,115)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	339,851	28,351	368,202	(1,251,954)	(1,251,954)	1,486,041
Balance beginning of year	2,807,853	128,779	2,936,632	2,788,888	2,788,888	3,347,565
Balance end of year	3,147,704	157,130	3,304,834	1,536,934	1,536,934	4,833,606

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

Other Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	215,584	133,465	491,671	840,720
Property tax receivable:				
Current year	962	-	975	1,937
Succeeding year	70,000	-	57,887	127,887
Other receivables	-	-	61,018	61,018
Total assets	<u>286,546</u>	<u>133,465</u>	<u>611,551</u>	<u>1,031,562</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	11,077	-	-	11,077
Deferred revenue:				
Succeeding year property tax	70,000	-	57,887	127,887
	<u>81,077</u>	<u>-</u>	<u>57,887</u>	<u>138,964</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>205,469</u>	<u>133,465</u>	<u>553,664</u>	<u>892,598</u>
Total liabilities and fund equity	<u>275,469</u>	<u>133,465</u>	<u>611,551</u>	<u>1,020,485</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Non-major Special Revenue Funds

Year ended June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	49,849	-	58,068	107,917
Other	1,229	224,724	3,122	229,075
State sources	563	-	655	1,218
Federal sources	-	-	19,104	19,104
Total revenues	<u>51,641</u>	<u>224,724</u>	<u>80,949</u>	<u>357,314</u>
Expenditures:				
Instruction:				
Co-curricular instruction	-	217,779	-	217,779
Support services:				
Instructional staff support	38,661	-	-	38,661
Administration	3,137	-	-	3,137
Plant operation and maintenance	40,449	-	-	40,449
Student transportation	12,550	-	-	12,550
Total expenditures	<u>94,797</u>	<u>217,779</u>	<u>-</u>	<u>312,576</u>
Excess (deficiency) of revenues over (under) expenditures	(43,156)	6,945	80,949	44,738
Fund balances beginning of year, as restated (note 10)	<u>248,625</u>	<u>126,520</u>	<u>472,715</u>	<u>847,860</u>
Balance end of year	<u>205,469</u>	<u>133,465</u>	<u>553,664</u>	<u>892,598</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
DISTRICT-WIDE ACCOUNTS				
Paperback Books	3	3,096	2,980	119
Field Trips	1,100	1,405	1,459	1,046
Athletic Booster Club	(162)	4,706	544	4,000
Wrestling Booster Club	-	1,888	1,888	-
Band Booster Club	112	8,301	7,967	446
Partners in Education	2,510	1,655	3,212	953
Student Activity Interest	5,754	582	-	6,336
Elementary Track Program	-	867	867	-
Gate Receipts	12,513	66,830	17,292	62,051
	<u>21,830</u>	<u>89,330</u>	<u>36,209</u>	<u>74,951</u>
HIGH SCHOOL CLUBS AND ORGANIZATIONS				
Drama	5,500	1,333	5,003	1,830
Music Resale	(443)	1,129	1,220	(534)
Activity Tickets	-	7,408	-	7,408
Annual	5,000	4,076	3,486	5,590
Concessions	12,232	37,331	38,365	11,198
Cheerleaders	1,963	7,828	7,321	2,470
Honor Society	500	416	287	629
Student Council	3,290	1,345	3,060	1,575
Spanish Club	33	-	-	33
AFS Students	178	-	-	178
Thespian Club	1,576	8,884	9,169	1,291
Weightlifting Club	1,035	2,498	835	2,698
FFA	1,444	14,866	15,368	942
FCCLA	1,694	8,786	8,888	1,592
Activities Resale	1,685	9,468	8,930	2,223
Alternative HS Concessions	265	119	90	294
Class of 2004	1,228	(477)	751	-
Class of 2005	1,536	4,269	4,959	846
Class of 2006	1,508	2,245	1,350	2,403
Class of 2007	-	2,061	1,254	807
High School Teachers Flowers Fund	-	-	-	-
REACH Leadership Team	392	-	-	392
	<u>40,616</u>	<u>113,585</u>	<u>110,336</u>	<u>43,865</u>
HIGH SCHOOL ATHLETICS				
Cross Country	1,250	-	1,405	(155)
Golf	1,500	-	670	830
Boys Basketball	3,500	-	2,192	1,308
Football	10,000	318	6,663	3,655
Baseball	3,500	-	3,901	(401)

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
HIGH SCHOOL ATHLETICS (continued)				
Boys Track	3,500	-	2,751	749
Boys Tennis	500	-	194	306
Wrestling	3,500	-	2,031	1,469
Girls Basketball	2,500	-	2,731	(231)
Volleyball	3,000	-	2,036	964
Softball	3,000	-	2,866	134
Girls Track	3,250	-	2,323	927
Girls Tennis	500	-	194	306
Athletic Director	15,000	404	18,785	(3,381)
	<u>54,500</u>	<u>722</u>	<u>48,742</u>	<u>6,480</u>
MIDDLE SCHOOL CLUBS AND ORGANIZATIONS				
Activity Tickets	-	4,612	-	4,612
Teachers	20	-	-	20
Science Fair	528	300	237	591
Music Resale	(782)	4,075	4,102	(809)
Yearbook	500	1,560	1,595	465
Student Council	603	5,334	5,279	658
Fiesta Bowl	42	-	-	42
Kirsch Vocational Fundraising	260	-	32	228
Activities Resale	-	4,364	4,021	343
IAMLE Conference	275	-	-	275
	<u>1,446</u>	<u>20,245</u>	<u>15,266</u>	<u>6,425</u>
MIDDLE SCHOOL ATHLETICS				
Track	1,500	-	1,384	116
Boys Basketball	1,000	-	1,077	(77)
Football	2,000	-	1,701	299
Wrestling	500	-	491	9
Girls Basketball	1,000	-	1,140	(140)
Volleyball	1,200	-	853	347
	<u>7,200</u>	<u>-</u>	<u>6,646</u>	<u>554</u>
ELEMENTARY SCHOOL ORGANIZATIONS				
Teachers	740	842	580	1,002
Jump Rope For Heart	188	-	-	188
	<u>928</u>	<u>842</u>	<u>580</u>	<u>1,190</u>
Grand total	<u>126,520</u>	<u>224,724</u>	<u>217,779</u>	<u>133,465</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets

Fiduciary Funds

Private Purpose Trust Funds

June 30, 2004

	Y-Teen Scholarship	Evelyn Warren Memorial	Dorothy Miller Memorial	High School Scholarship Fund	Port Stitt Estate	Bossingham Foundation
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	<u>3,420</u>	<u>72</u>	<u>1</u>	<u>983</u>	<u>73</u>	<u>449</u>
	<u><u>3,420</u></u>	<u><u>72</u></u>	<u><u>1</u></u>	<u><u>983</u></u>	<u><u>73</u></u>	<u><u>449</u></u>
Net Assets						
Reserved for scholarships	<u>3,420</u>	<u>72</u>	<u>1</u>	<u>983</u>	<u>73</u>	<u>449</u>
	<u><u>3,420</u></u>	<u><u>72</u></u>	<u><u>1</u></u>	<u><u>983</u></u>	<u><u>73</u></u>	<u><u>449</u></u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets

Fiduciary Funds

Private Purpose Trust Funds

June 30, 2004

	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	Sperry Scholarship	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	<u>629</u>	<u>503</u>	<u>450</u>	<u>4,998</u>
	<u>629</u>	<u>503</u>	<u>450</u>	<u>4,998</u>
Net Assets				
Reserved for scholarships	<u>629</u>	<u>503</u>	<u>450</u>	<u>4,998</u>
	<u>629</u>	<u>503</u>	<u>450</u>	<u>4,998</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2004

	Y-Teen Scholarship	Evelyn Warren Memorial	Dorothy Miller Memorial	High School Scholarship Fund	Port Stitt Estate	Hockenberry Foundation
	\$	\$	\$	\$	\$	\$
Additions:						
Local sources:						
Interest on investments	16	1	-	-	-	-
Contributions	-	200	-	2,244	-	2,000
	<u>16</u>	<u>201</u>	<u>-</u>	<u>2,244</u>	<u>-</u>	<u>2,000</u>
Deductions:						
Instruction:						
Regular instruction:						
Supplies	-	-	-	-	-	2,000
Other	300	200	-	1,800	-	-
	<u>300</u>	<u>200</u>	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>2,000</u>
Change in net assets	(284)	1	-	444	-	-
Net assets beginning of year	<u>3,704</u>	<u>71</u>	<u>1</u>	<u>539</u>	<u>73</u>	<u>-</u>
Net assets end of year	<u>3,420</u>	<u>72</u>	<u>1</u>	<u>983</u>	<u>73</u>	<u>-</u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trusts

Year ended June 30, 2004

	Bossingham Foundation	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	Sperry Scholarship	Total
	\$	\$	\$	\$	\$
Additions:					
Local sources:					
Interest on investments	-	-	-	-	17
Contributions	2,700	-	-	-	4,444
	2,700	-	-	-	4,461
Deductions:					
Instruction:					
Regular instruction:					
Supplies	3,330	-	-	-	2,000
Other	-	-	-	-	2,300
	3,330	-	-	-	4,300
Change in net assets	(630)	-	-	-	161
Net assets beginning of year	1,079	629	503	450	4,388
Net assets end of year	449	629	503	450	4,549

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets

Fiduciary Funds

Agency Funds

June 30, 2004

	Nurse's Fund	American Field Service	Swanson Loan	Wrestling Facility	Press Box Renovations	Ed Butler Youth Fund	Pamida Foundation Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Cash and pooled investments	<u>6,249</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,166</u>	<u>1,246</u>	<u>4,171</u>	<u>17,366</u>
	<u><u>6,249</u></u>	<u><u>572</u></u>	<u><u>569</u></u>	<u><u>393</u></u>	<u><u>4,166</u></u>	<u><u>1,246</u></u>	<u><u>4,171</u></u>	<u><u>17,366</u></u>
Liabilities								
Other payables	<u>6,249</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,166</u>	<u>1,246</u>	<u>4,171</u>	<u>17,366</u>
	<u><u>6,249</u></u>	<u><u>572</u></u>	<u><u>569</u></u>	<u><u>393</u></u>	<u><u>4,166</u></u>	<u><u>1,246</u></u>	<u><u>4,171</u></u>	<u><u>17,366</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities

Agency Funds

June 30, 2004

	Nurse's Fund	American Field Service	Swanson Loan	Wrestling Facility	Press Box Renovations	Ed Butler Youth Fund	Pamida Foundation Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning of year	<u>6,013</u>	<u>572</u>	<u>569</u>	<u>578</u>	<u>-</u>	<u>1,336</u>	<u>4,171</u>	<u>13,239</u>
Additions:								
Contributions	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,166</u>	<u>600</u>	<u>-</u>	<u>5,266</u>
Deductions:								
Miscellaneous	<u>264</u>	<u>-</u>	<u>-</u>	<u>185</u>	<u>-</u>	<u>690</u>	<u>-</u>	<u>1,139</u>
Balance end of year	<u><u>6,249</u></u>	<u><u>572</u></u>	<u><u>569</u></u>	<u><u>393</u></u>	<u><u>4,166</u></u>	<u><u>1,246</u></u>	<u><u>4,171</u></u>	<u><u>17,366</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
Local sources:				
General	2,213,266	2,210,353	1,979,056	2,063,310
Special revenue/debt service	586,459	553,837	576,246	641,901
Capital projects	470,369	360,800	341,356	134,550
	<u>3,270,094</u>	<u>3,124,990</u>	<u>2,896,658</u>	<u>2,839,761</u>
State sources:				
General	3,752,207	3,764,641	3,942,793	3,731,326
Special revenue/debt service	6,620	-	-	686
Capital projects	-	-	-	14,692
School nutrition	6,188	5,951	5,894	6,312
	<u>3,765,015</u>	<u>3,770,592</u>	<u>3,948,687</u>	<u>3,753,016</u>
Federal sources:				
General	410,945	428,235	381,556	365,336
Special revenue/debt service	19,104	-	-	-
School nutrition	190,127	167,279	154,442	142,875
	<u>601,072</u>	<u>595,514</u>	<u>535,998</u>	<u>508,211</u>
Total	<u>7,636,181</u>	<u>7,491,096</u>	<u>7,381,343</u>	<u>7,100,988</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY04	<u>22,769</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY04	30,297
National School Lunch Program	10.555	FY04	<u>137,060</u>
			<u>167,357</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1197-G-04	114,735
Title I Grants to Local Educational Agencies	85.010	1197-GC-04	16,241
Title I Grants to Local Educational Agencies	84.010	1197-D-04	<u>156,388</u>
			<u>287,364</u>
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY04	10,578
Innovative Education Program Strategies	84.298	FY04	6,069
Grants for Assessments and Related Activities	84.369	FY04	6,804
Improving Teacher Quality - States Grants	84.367	FY04	5,057
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY04	12,756
Loess Hills Area Education Agency 13			
Special Education - Grants to States	84.027	FY04	<u>39,305</u>
Total			<u><u>558,059</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarinda Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and
on Internal Control over Financial Reporting**

To the Board of Education of the
Clarinda Community School District:

We have audited the general purpose financial statements of the Clarinda Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clarinda Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarinda Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and no to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clarinda Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-II-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarinda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 31, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

To the Board of Education of the
Clarinda Community School District:

Compliance

We have audited the compliance of Clarinda Community School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Clarinda Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clarinda Community School District's management. Our responsibility is to express an opinion on Clarinda Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarinda Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarinda Community School District's compliance with those requirements.

In our opinion Clarinda Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clarinda Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Clarinda Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item 04-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

August 31, 2004

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The District's major program was as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarinda Community School District did not qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

04-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.101 Title I Grants to Local Education Agencies

Agency Number: 1197-G-04, 1197-GC-04, 1197-D-04

Federal Award Year: 2004

US Department of Education

Passed through Iowa Department of Education

04-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

- 04-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- 04-IV-B Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the certified budget amounts in the non-instructional programs and other expenditures.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- 04-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 04-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 04-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

